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Who Can You Trust?

Why so many entrepreneurs have trouble delegating.

From: [Inc, October 2004](#) | Page 39 **By:** Alison Stein Wellner **Illustrations by:** Christopher Silas Neal

Two days before checking into the hospital for minor hernia surgery, Andrew Nadel was a blur of activity. The 43-year-old owner of Pride Products, a promotional products and corporate gifts company in Springfield, N.J., knew his convalescence would put him out of commission for at least a few days. So he was scrambling to get a jump on his 40 or 50 daily sales calls, as well as ensure that current orders were proceeding smoothly. Then there was the question of what would happen if a problem arose while he was under the knife. Obviously, he would not be reachable via cell phone.

It's tough running a business all by yourself. But Nadel isn't really by himself. In fact, he has seven employees, including his wife, on the payroll. Nadel simply cannot delegate. "I have a certain style -- from when a client calls to when a factory starts giving us a hard time," he says. That "certain style," Nadel maintains, has been key to his seven-year-old company's success, and he's loathe to let go. "He's doing sales, he's managing people, he's opening the mail, he's taking out the garbage," says Wendy Ferber, Pride Products' vice president and Nadel's wife. "We get a new chair in the office, and he's assembling it." Says Nadel: "I admit I have an issue here."

The issue should be familiar to most entrepreneurs -- who, let's face it, don't much care for ceding control. Sure, delegating makes perfect sense in theory. But many business owners find the practice excruciating. Why? It all comes down to an unwillingness to trust.

Such reluctance is not hard to understand. In the context of a business relationship, trust is all about risk, says Sally Atkinson, a professor at the Cranfield School of Management, a business school in the United Kingdom, who specializes in the role that trust plays in business relationships. The more a manager's reputation or personal fortune depends on someone else's performance, the more there is to lose -- and the less likely it is that trust will be conferred. Running your own company is such a high-stakes situation, says Atkinson, that "the likelihood of building trusting relationships is lower." But it doesn't have to be that way.

The Two Sides of Trust

Ask Nadel if he believes in his employees, and he doesn't hesitate: "I trust my people totally," he insists. He knows that his staffers are not out to get him; nor does he suspect any mischief or malfeasance. He'd like to be more trusting. But trusting isn't quite so simple. That's because there are actually two kinds of trust: that based on motives and that based on competence.

Motives-based trust is what most people think about when they think about trust. It's based on the belief that another's intentions and values are closely aligned with your own and forms the basis for most personal relationships. But in a business setting, competence-based trust -- based on a belief in one's capabilities -- is far more important. In a recent survey of 30 senior managers published in the *Journal of Managerial Psychology*, Atkinson found that competence-based trust almost always trumps motives-based trust.

The problem is, entrepreneurs often have difficulty assessing the competence of their employees, which makes it hard to develop a trusting relationship, says Carl Robinson, a Seattle psychologist who works with entrepreneurs. Robinson recently interviewed 50 CEOs and found two common obstacles in assessing competence. For one thing, entrepreneurs tend to have a condition known as "psychological inflation." Think of it as a polite euphemism for egomania -- the belief that you can perform a particular task better than anyone else. On the one hand, this is precisely what spurs people to launch businesses in the first place. "But your strength can also be your weakness," Robinson says. "The reality is, if you want to build a company, you have to trust people to run it for you." Another problem is that most entrepreneurs possess highly specialized skills. You may be a whiz at, say, designing software, raising money, or selling anything. "But entrepreneurs aren't trained to be good assessors of talent -- that's not their strong suit," Robinson says.

Building Confidence in Competence

You might think that people are, by nature, trusting or suspicious, and there's not much one can do to change. In fact, trust -- especially competence-based trust -- is a behavior, and any behavior can be learned. So how does a control freak learn to let go? Take time to observe your employees in action. If you've done a good job hiring, you'll probably see that your people really can manage the tasks before them -- even if they approach problems differently than you would. If you don't like what you're seeing, it may be that more training is in order. You also might enlist a consultant or establish a board of directors to help with such assessments on an ongoing basis. That's what William J. Boyer Jr. did when he set out to accomplish the ultimate in delegating: hiring a president to handle day-to-day affairs. Boyer's company, APS Inc., a Tacoma, Wash., supplier of airline equipment, was growing fast -- too fast for one person to manage. "I was out of the office quite a bit, flying back and forth across the country," Boyer says. "I needed someone in the office, running things, reviewing contracts, raising money." Throughout the three-month search, Boyer leaned on his board to help assess candidates; that gave him the confidence to make such an important decision.

Measuring Motives

Of course, you'll feel a lot better if you can trust a manager's competence and motives. But while competence-based trust is a fairly straightforward measure, motives are often murky and subject to change. As a result, trust relationships based on motives are rare in business, says Atkinson, and only tend to develop once competence-based trust has long been established.

Since there's no surefire way to assess motives, entrepreneurs tend to rely on their instincts. In his search for a president, for example, Boyer took an instant dislike to candidates who were "cocky, and told me they were going to change everything." Then, he met with Sheldon Best, an airline industry veteran. "He told me that he was here to make sure I was protected, that he was looking out for my best interests," Boyer recalls. "That made me feel really comfortable."

Boyer also took one of the few motive-aligning steps that entrepreneurs have: He offered his new president equity in the business. But he also made sure that he retained enough equity to remove his new president if necessary. In an imperfect world where trusting relationships have to be formed quickly, it's this kind of "tentative trust" that entrepreneurs should strive for, says Atkinson.

As for Nadel, the day before his surgery, he informed his staff that he was going to make an effort to

take a step back from the day-to-day to really focus on sales, strategy, and overall management. Will he keep his promise? Recovering from surgery at home, Nadel wasn't sure. "At this point, I just don't know," he says tensely. "I hope to let go more and more, each day, each week."

Sidebar: The Problem With Relatives

When it comes to trust, family ties aren't all they're cracked up to be. If trusting your employees is a problem, you might think that hiring family members is the solution. Well, think again. What's the problem? First, you probably know a lot about your relatives, and as a result have a sense of their motives and competence. And that's not necessarily a good thing. You might, for instance, remember that cousin Jane used to steal from Grandma's cookie jar. She may have given up her life of crime at the age of 10, but the memory lingers -- as do feelings of mistrust. Indeed, family members often harbor grudges that get played out in their business relationships. "When disputes arise, the facts are often lost in the graveyard of personal bones of contention," says John Reddish, a family business consultant in Drexel Hill, Pa.

If you have family on the payroll, you need to exhume these issues, Reddish adds. Even if your relationships are free of such strife, it's smart to keep the same safeguards in place that you would have for any employee. Jeremy Porter, owner of Reaction Marketing Group in Atlanta, says he totally trusts his bookkeeper -- his wife. But he doesn't rely solely on trust. "My wife could embezzle from the company and I might not ever know it," he says. "But my accountant and my financial adviser would." The best way to learn to trust a family member who's also an employee, it seems, is not to rely on family ties alone.

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